UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

E

Distr.:
LIMITED

E/ECA/TRADE/88/21
31 December 1988

Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA

LC/NAIRCBL

PROSPECTS AND PROBLEMS OF PROMOTING AND EXPANDING INTER-REGIONAL TRADE BETWEEN AFRICA AND OTHER DEVELOPING REGIONS:

A TECHNICAL PUBLICATION

Table of Contents

		Paragraphs	Pages
INTRODUCTION			1-2
CHAPTER I:	MAIN DEVELOPMENTS IN TRADE AND ECONOMIC RELATIONS AMONG DEVELOPING COUNTRIES	1-13	3-9
	(a) Overall situation and major challenges for South-South co-operation	1-7	3-5
	(b) Recent developments in trade flows among developing regions	8-13	5-9
CHAPTER II:	AFRICA'S TRADE EXPANSION WITH LATIN AMERICA	14-47	10-21
	(a) Recent developments in trade between Latin America and Africa	14-18	10-12
	(b) Problems and prospects of expanding trade between Brazil and Portuguese speaking African countries	19-27	12-15
	(c) Major constraints and strategies and mechanisms for trade expansion between Africa and Latin America	28-47	15-21
CHAPTER III:	TRADE, ECONOMIC AND FINANCIAL RELATIONS BETWEEN MIDDLE EAST AND DEVELOPING AFRICAN COUNTRIES	48-69	22-28
	(a) Current situation in trade exchanges between Middle East and Africa	48-51	22-23
	(b) Major constraints in promoting trade between Africa and Middle East	52-58	24-25
	(c) Financial and economic co-operation between African and Middle East countries	59-64	25-27
	(d) Prospects for expanding trade and economic co-operation between Africa and Middle East and major conclusions and recommendations	65-69	27-28

	Paragraphs	Pages
CHAPTER IV: EXISTING AND POTENTIAL TRADE BETWEEN AFRICA AND ASIAN COUNTRIES	70-93	29-35
(a) Commodity structures and major export/import trends in Afro-Asian trade	70-75	29-31
(b) Obstacles to trade expansion between African and Asian regions	76-87	31-33
(c) Prospects for trade expansion between the African and the Asian regions	88-93	33-35
CHAPTER V: CONCLUSIONS AND RECOMMENDATIONS	94-106	36-39

INTRODUCTION

The idea of enhancing interregional economic co-operation and trade among developing countries is a fairly well entrenched historical theme because of the growing interest among the countries themselves. It emanates from their desire to find alternative ways of solving some of their common economic problems. Secondly, their realization of the great inherent potential and mutual benefits likely to be derived from greater co-operation. Thirdly, because such co-operation is likely to open up possibilities for them to lessen their overall economic dependence on the industrialized world if they can manage to provide assistance to each other.

There has been, over the last three decades, a deliberate striving for strengthening economic relations and collective self-reliance among developing countries. Needless to say, ongoing efforts in the area of economic co-operation among developing countries (ECDC) are to be seen as an integral part of this process. The international community in general and the Third World in particular already recognize the vital role which ECDC can play in accelerating economic development of the latter countries and towards restructuring international economic relations. This is one of the many reasons why currently ECDC constitutes a crucial element in some of the adopted subregional, regional and global development strategies. Hence the following three important global programmes for the implementation of measures to strengthen and enlarge ECDC have been formulated: the Mexico City Programme (1976), the Arusha Plan of Action (1979) and the Caracas Programme of Action (1981).

The main theme in each of the above watershed platforms underlines the importance of co-operation among developing countries as a cornerstone of their self-reliance. The Mexico City Programme in particular, elaborates what was stated in the Arusha Plan of Action and the Caracas Programme of Action. It reflects the importance of the initiatives taken by the Governments, members of the Group of 77 to accelerate the development and transformation of their economies through the process of collective self-reliance based on the intensification of joint efforts, mobilizing the respective resources and markets as pre-requisites to building structures for genuine economic interdependence within the context of South-South co-operation.

Trade relations offer several mutual benefits to the parties concerned and are inherently capable of breaking autarchy. In other words, increasing consumption by each country or region is likely to expand rather than continue to be restricted to own range of available products. Furthermore, trade offers opportunities for increased specialization and division of labour which in the case of co-operation among developing countries is more conducive to overall economic development than within the context of traditional North-South linkages.

On several occassions, ECA Conferences of Ministers have adopted a number of resolutions that stress the importance of promoting ECDC. For instance, 302(XIII) of 28 February 1977 and 355(XIV) of 27 March 1979 to name but a few early ones. More recently, the eighth session of the Conference of African Ministers of Trade, held in Brazzaville, Congo in October 1985,

discussed a number of issues in relation to ECDC including Africa's participation in the Global System of Trade Preferences among Developing Countries (GSTP). Therefore, the present study is undertaken partly in response to the above mandates. The study aims to examine the present level and nature of trade between Africa and other developing regions and to identify the involvement of the countries concerned in terms of commodities traded as well as major destination of exports and main import suppliers. Beside determining possibilities for trade expansion, an attempt has also been made to identify major obstacles to such trade expansion in order to arrive at proposals for action needed to facilitate trade flows with other developing regions. In other words, the study focuses on some strategies and mechanisms of trade promotion which could contribute towards expanding trade and economic relations between Africa and countries of Latin America, Middle EAst and Asia.

The present study reflects the findings of a preliminary investigation in this field and also bases itself on previous papers prepared by ECA Secretariat as well as other agencies and organizations pertaining to these particular areas. The analysis . studies .nd projects not only the bilateral but also the regional level of trade relations. Recommendations are similarly formulated. In some instances a number of individual cases have been included in spite of the constraint which derives from the degree of generalization as well as the relative shortage of available background data. The conclusions and recommendations provide a useful basis for use by member countries in formulating their strategies with regard to trade promotion with other Third World countries.

CHAPTER ONE

MAIN DEVELOPMENTS IN TRADE AND ECONOMIC RELATIONS AMONG DEVELOPING COUNTRIES

(a) Overall situation and major challenges for South-South co-operation

1. There is ample evidence that considerable progress has been made in the area of economic integration and co-operation among developing countries over the last decade or two according to one of the recent UNCTAD publications.1/ However, these relations are still the weakest link in the network of international economic relations. Thus, strengthening this link within the broader framework of establishing conditions for self-sustained economic development in the South is perhaps the biggest challenge for the developing countries in the period ahead. The perspectives for ECDC in the years to come have to be seen against the background of the severe impact of the recent economic crisis. They will require structural changes in international economic relations entailing the spread of industrialization and economic transformation in the Third World and of the widely-held view that the developing countries would have to become a more important source for their own economic growth and development.

2. Some of the most glaring features of these recent developments in the area of trade expansion and monetary and financial co-operation among developing countries have included:

(a) increase in their trade at a faster rate during the 1970s which then virtually stagnated in the 1980s. This sudden and dramatic change was due in part among others to the decline in capital surplus of some of the developing countries which had previously been generated by oil exports. Another set of factors were related to the severe foreign exchange constraints including the external debt crisis;

(b) economic integration groupings of developing countries that experienced and continue to experience severe difficulties. Mutual trade in a number of these groupings fell dramatically in the 1980s, and several of member countries re-introduced or even increased tariff rates, quantitative restrictions and exchange control measures in their trade;

(c) a marked contraction in financial flows among developing countries since 1981;

(d) clearing and payments arrangements among developing countries that have experienced serious problems and in a number of cases their operations have been suspended.

1/ UNCTAD. «South South Economic Co-operation. Some Issues in the Field of Trade and Finance». RIS Occasional Paper No. 7, 1986, New Delhi, pp. 3-4.

3. The above illustrative list of developments in economic relations among developing countries are no doubt, point of the buffeting the impact of the world economic recession. But they also demonstrate the weakness of the existing economic integration and co-operation schemes and mechanisms and the fragility of links among developing countries. Moreover, the severe impact of the world market on the economic development process of the South is quite evident. Most of the developing countries still are vulnerable to external environment effects and to the policies of the industrialized countries. Real improvements in the economic situation of most developing countries in the short-term perspective are linked to improvements in the international economic environment. There is therefore unavoidably a problem of reconciling the short-term critical needs of these countries with their serious difficulties in the area of balance-of-payments, external debt or structural changes, with a longer-term need for implementing measures to enhance the ECDC process.

4. However, the current situation does not in any way imply a lessening of efforts aimed at enhancing the ECDC process. In fact, it should be noted that while acceleration and spread of industrialization in the South necessitates structural changes in the division of labour between the North and the South, it is inconceivable that the industrialized countries will be able to provide an unlimited outlet for the export surpluses of developing countries that would result from the accelerated pace of economic restructuring in the South. Moreover, the slow-down in the economic growth in developed countries makes it even more necessary for the developing countries to expand their trade and other economic linkages in order to accelerate their economic development. Against this background it would seem that there is a need for a new impetus to trade and financial co-operation among developing countries.

5. Fostering intra-developing country trade at the global level, the Global System of Trade Preferences among Developing Countries (GSTP) represents the first major proposal for ECDC. It has matured to the stage of concrete negotiations, in spite of the fact that there are a number of issues that require particular attention in the context of GSTP negotiations. Particularly if the preferential system as it is conceived is to serve as an effective instrument in promoting trade and development of the Third World countries. Issues of particular significance relate to the coverage of measures as well as the participating countries themselves, the spread of benefits from the scheme among the participants, the link between trade on the one hand and payments and finance on the other hand because of the problems of structural trade imbalances that are likely to result from such trade liberalization measures.

6. Against this background, it may be noteworthy that the experience of various economic integration and co-operation groupings of developing countries suggests that while reduction in tariff and non-tariff protectionist measures may lead to some increase in mutual trade complementary measures such as co-operation in production including establishing joint ventures, monetary and financial co-operation and improvements in economic infrastructure as related to intra-developing country trade are crucial to sustained expansion of such trade. Moreover, it was found in many instances that tariff and non-tariff measures are not the main obstacles to trade among developing countries.2/

2/ Op. cit., p.7

7. It is for this reason among others, that the analysis stresses strengthening the multilateral institutional framework for promoting and facilitating capital flows among developing countries for development of joint ventures and investments among the South as an important issue in the context of increasing the role of financial co-operation among them and accelerating the development process Similarly, efforts must be of necessity to include reviving and reinforcing the operational capabilities of clearing and payments arrangements among Third World countries. In a longer-term perspective, greater emphasis will have to be placed on the link between co-operation in the trade area and production and monetary and financial co-operation at the global level and within the framework of economic co-operation and integration schemes at the subregional and regional levels.

(b) Recent developments in trade flows among developing regions

8. A brief overview of the changing pattern of trade among the developing countries is a relevant departure point at this stage of the analysis as we proceed to examine the main volume, growth, structure and direction trends over the past years

(i) Overall values and growth rates of trade among developing regions

Trade among developing countries for the period 1981 and 1986 where there is comparable aggregated data, decreased gradually from US$152.3 billion to 122.2 billion. The share of trade among developing countries declined from 7.3 per cent to 5.7 per cent of the total world trade.2/ Intra-developing country trade during the 1981-1985 period decreased by 2.9 per cent annually while exports of developing countries to industrialized world exhibited an even more abrupt decline at an annual average of 5.2 per cent

(ii) Relative importance of trade among developing countries

Exports to developing countries in 1986 accounted for the highest share in Western Asia (44.1 per cent). That by South and South-East Asia was about 26.9 per cent, Latin America about 23.3 per cent and Africa about 16.7 per cent of their respective total trade. A more detailed picture of these shares in their historic trends is provided in Table 1.

(iii) Structure of trade among developing countries

Major developments in the structure of the mutual trade of developing countries was a result of various factors both external and internal. Internal factors included the increased proportion in the demand by developing countries for food items as well as for manufactured goods. Quite a fairly large amount of imports was from other developing countries. Thus developing countries still continue to satisfy their demand for mineral fuels, agricultural products, clothing and non-ferrous metals by mutual shipments. The biggest relative dependence on external suppliers

2/ UNCTAD, Handbook of International Trade and Development Statistics Supplement 1986, New York, 1987.

Table 1

The relative importance of exports to developing countries in exports of individual regions

(Percentages)

	Latin America	Africa	Middle East	South and South-East Asia
1970	19.9	10.7	20.2	28.5
1971	20.5	12.1	20.8	28.1
1972	20.9	12.3	21.6	27.4
1973	20.8	11.6	23.0	26.0
1974	22.9	11.1	21.2	27.7
1975	24.7	14.6	22.5	30.7
1976	23.4	12.8	23.3	28.2
1977	23.9	13.3	24.4	29.7
1978	23.9	10.6	23.7	30.3
1979	23.9	11.8	24.6	30.4
1980	26.1	12.5	24.7	32.2
1981	27.8	14.3	28.8	34.2
1982	27.4	14.3	34.6	33.8
1983	26.3	11.3	41.1	34.5
1984	24.8	13.1	37.0	30.7
1985	23.1	13.6	38.0	29.5
1986	23.3	16.7	44.1	26.9

Source: UNCTAD. Handbook of International Trade and Development Statistics. Supplement 1986. New York, 1987. United Nations, Monthly Bulletin of Statistics, May and June 1987 issues.

was registered in relation to passenger motor vehicles, machinery and transport equipment, chemicals and iron and steel where the overwhelming percentage of developing countries' import requirements are met by supplies from the developed world.[4/]

9. Exports of manufactures by developing countries deserve a closer look because it is one category of products that is thought to promise better prospects for export growth and overall economic development for the Third World unlike those of primary commodities. The fact that a number of developing countries have emerged as major exporters of manufactures especially in the South-East Asian region and continental Latin America has given added belief, that this countries have been able not only to penetrate the markets of developed countries but to capture a growing share of markets in other developing countries, is significant. These countries' share of manufactures in the intra-developing country trade went up from 31.5 to 55.9 per cent during the period 1965-1985.

10. A somewhat different picture emerges, when the share of exports to other developing countries in their total exports by major commodity groups is examined. Available data suggests that while developing countries as a group have, in recent years been increasingly relying on their own markets for exports of food products, agricultural raw materials and mineral ores, their importance as market outlets for exports of manufactured products from their own region has been on decline, echoing the pattern observed since the 1950s. The share of manufactured goods exported from other developing countries between 1981 and 1985 in total exports of this product group decreased from 38.2 to 26.6 per cent. It is difficult to explain this paradox where we recall that production of manufactured goods increased at a faster rate than import demand by the developing world for this product group.

11. We can only assume that this perhaps because there was an apparent movement towards more balanced pattern of trade among the developing countries. Perhaps also, it is because these countries are now trading more among themselves in such traditional products as food and raw materials, products whose export has been dependent on markets of the industrialized countries, while at the same time emerging as competitive exporters of manufactures to developed countries and with less reliance on regionally protected markets in other developing regions or groups of countries.

12. Perhaps we should hasten to add as briefly indicated above that the bulk of the expansion of exports in manufactures from developing world is accounted for by only a handful of newly industrialized countries (NICs). In other words, the vast majority of developing countries have not shared to any significant

---

4/ Data derived from «Trade among developing countries by main SITC groups and by regions.» Statistical Note by UNCTAD Secretariat, TD/B/C.7/86 June 1988.

extent in this expansion.[5/] Consequently, the pattern presented by these overall figures in regard to trade in manufactures is far from being representative of the situation and experience of many or perhaps most of the individual developing countries.

13. Analysis of trade balances of interregional trade flows even if only based on the data compiled in Table 2, reveals a deficit in all the developing regions vis-à-vis the Middle East countries, which in 1985 amounted cumulatively to over US$23 billion. Trade balances of interregional non-fuel trade show other regions as traditionally net exporters to Western Asia. South and South-East Asia in its non-fuel trade has a traditional surplus in commercial exchanges with other developing regions, which in 1985 amounted to almost US$9 billion. This surplus is mainly generated by the export of manufactured goods to the Middle East and Africa. At the same time, Africa's imports of food from Latin America and manufactured goods from Asian countries resulted in a considerable regional deficit in interregional trade with the developing countries reaching US$5 billion in 1985.

5/ According to Nassau A. Adams analysing «Trade among Developing Countries: Trends, Patterns and Prospects» stated that in 1976 12 developing countries, viz. Argentine, Brazil, Hong Kong, Republic of Korea, Mexico, Singapore, India, Pakistan, Phillipines, Thailand, Egypt and Yugoslavia, accounted for over 80 per cent of exports of manufactures from developing countries. The situation has not changed significantly since then. «The Challenge of South-South Co-operation» Branda Pavlic, Raul R. Uranga and others (i.e.) Westview Press/ Boulder, Colorado, 1983, p.118.

Table 2

Trade matrix of intra-developing country flows
(1970-1985) Total trade

(million $US)

From \ To		DEVELOPING				Total
		Latin America	Africa	West Asia	S.S.-E. Asia	
L. America	1970	3 028	119	37	149	3 333
	1975	9 616	1 003	630	326	11 575
	1980	22 527	2 626	2 204	1 388	28 745
	1984	19 571	2 718	2 635	2 735	27 659
	1985	16 184	2 763	2 595	2 701	24 223
DEVELOPING Africa	1970	237	672	115	259	1 283
	1975	2 227	1 924	450	356	4 957
	1980	6 134	2 917	1 806	1 129	11 986
	1984	2 801	2 657	1 579	1 046	8 083
	1985	2 722	2 870	1 172	958	7 722
DEVELOPING West Asia	1970	234	260	781	837	2 112
	1975	5 045	1 741	3 955	7 555	18 296
	1980	11 744	3 546	11 150	25 715	52 155
	1984	7 888	2 781	13 422	15 626	39 717
	1985	9 196	2 278	14 097	20 955	47 566
DEVELOPING S.S.-E. Asia	1970	179	485	374	2 997	4 035
	1975	1 097	1 413	2 320	8 924	13 754
	1980	3 643	4 219	7 461	29 858	45 181
	1984	2 501	3 685	8 761	39 181	55 128
	1985	3 105	3 477	6 950	33 223	46 855
Total	1970	3 678	1 536	1 307	4 242	10 763
	1975	17 985	6 081	7 355	17 161	48 582
	1980	44 048	13 308	22 621	58 090	138 067
	1984	33 761	11 841	26 397	58 588	130 587
	1985	31 267	12 388	24 814	57 877	126 346

Source: See Table 1.

CHAPTER TWO

AFRICA'S TRADE EXPANSION WITH L

(a) Recent developments in trade between Latin

14. Effective trade links between Africa and L from about the mid-1960s and then slightly acce coïnciding with a general boom in world trade. characterized by a very modest share in overall and a low degree of diversification as regards products exchanged, with resulting quantitative This situation has yet to be reversed. On the o of both regions in each other's trade started t debtedness has seemed to gain an upperhand.

15. Thus, the share of exports to Latin Americ exports dropped from 6.4 per cent in 1980 to ab 1983-1985, to only 3 per cent in 1986. The impo in total imports of the African continent after 4.5 per cent in 1985 from 2.8 per cent in 1980, movement to 2.5 per cent in 1986. The same ten American side where the African destination acc per cent of total exports during the period 19 1.8 per cent in 1986. With regard to imports, was somewhat higher at between 3 and 4 per cent 1986. This phenomenon went hand in hand with t given in Table 3.

16. It is possible on the basis of the analysi to state foods and agricultural raw materials s of Latin America to Africa in spite of their r noticeably declined in the second half of the 1 increase in the share of manufactured and petro constituted about one-third of total Latin Ameri region. A relatively larger share in African i products whose share rose to 44.7 per cent in 1 20 per cent. On the other hand the exports of m America were characterized by greater stability around 20-25 per cent, even in 1986, despite se products recorded a relative growth that reache noteworthy that within the group of manufacture equipment constantly grew in importance.

17. On the contrary, African exports to Latin in fuels. Their values in recent years ranged US$1.3 billion in 1986. In relative terms, fue of purchases from the African continent, this fi per cent in 1986. When fuels are excluded, Afr

TIN AMERICA

America and Africa

tin America began to be forged
erated from the early 1970s.
Nascent trade is still
trade volumes by both regions
he countries involved and
and qualitative disequilibria.
ntrary, the relative importance
decrease as the external in-

n countries in overall African
ut 4.5 per cent in the period
tance of Latin American partners
having gradually climbed to
also registered a downward
ency is revealed on Latin
unted for between 1.9 and 2.2
1985 and then declined to
he share of African countries
and fell to 2.8 per cent in
decline in the absolute terms

of data contained in Table 3
significant export products
lative importance having
70s, concurrently with a marked
um products. This group
n exports absorbed by African
ports is occupied by petroleum
84 but then fell in 1986 to about
nufactured products by Latin
in value. Their share hovered
backs in absolute terms these
27.7 per cent. It is also
machinery and transport

erica are highly concentrated
rom US$5.8 billion in 1980 to
s averaged about 80 per cent
ure was even higher at 89.0
an exports fall abruptly to

Table 3

Africa's exports to and imports from Latin Ameri

(in million US Dollars, F.O.B.

COMMODITY GROUPS (SITC, Rev. 2)	E X P		
	1980	1983	
1. Food, beverages and tobacco (0 & 1)	88	297	
2. Cereals (041-045)	5	4	
3. Crude materials (exc. fuels), oils, fats (2 & 4)	92	170	
4. Textile fibres (26)	1	43	
5. Crude fertilizers and minerals (27)	65	31	
6. Metalliferous ores and metal scrap (28)	7	43	
7. Animal and vegetable oils, fats and waxes (4)	0	7	
8. Mineral fuels and related materials (3)	5,836	2,189	2,
9. Chemicals (5)	35	18	
10. Machinery and transport equipment (7)	4	6	
11. Other manufactured goods (6 & 8)	27	94	
12. Textile yarn and fabrics (65)	0	1	
13. Iron and steel (67)	0	0	
14. Non-ferrous metals (68)	20	34	
TOTAL	6,096	2,784	2,7

Source: Monthly Bulletin of Statistics, United Nations
May 1988

a by major commodity groups

prices)

R T S			I M P O R T S				
84	1985	1986	1980	1983	1984	1985	1986
96	246	19	849	734	718	621	485
0	0	0	12	45	123	96	104
60	157	51	128	95	94	205	210
36	29	0	8	8	8	40	16
31	32	32	1	17	2	8	3
46	49	13	55	1	0	5	6
6	5	0	99	104	161	223	165
57	2,238	1,284	698	849	1,187	1,106	322
9	11	42	45	91	33	91	77
1	1	25	427	297	209	448	281
70	59	20	203	270	308	261	140
1	1	1	42	33	34	11	7
0	0	0	49	151	134	70	41
0	5	16	6	5	5	15	6
3	2,722	1,442	2,399	2,383	2,658	2,834	1,516

New York, 1988, Vol. XLII No. 5,

levels which barely reach US$600 million in the period 1983 to 1985 and at only US$158 million in 1986. The bulk of these non-petroleum exports is made up of textile fibres, crude fertilizers and minerals as well as metalliferous ores and metal scrap. All of which are commodities in non-processed or slightly processed form. At the same time manufactured goods did not show any appreciable dynamism in terms of clearly defined upward trend, with their share fluctuating around 3 per cent of total African exports.

18. It may be observed that the question to create a reasonable balance of trade flows in either direction between the two regions, given the present level of their economic development, is a major problem area. In the preceeding paragraphs an attempt has been made to highlight the fact that there is a gross imbalance of trade between the two regions with developing Africa as predominantly an exporter of crude oil and not much in the way of manufactured goods to Latin America. Hence a need to find ways and means where the more developed countries of Latin America could increase their import of semi-processed and processed or semi-manufactured and manufactured goods from Africa. At the same time to enable Africa to produce these exportable items since the African region was never preordained to remain for ever an exporter of only primary commodities.

(b) Problems and prospects of expanding trade between Brazil and Portuguese speaking African countries

19. Previous studies have tended to be rather too general. However, disaggregation also leaves out a number of other considerations. Nonetheless, this section explores the problems and prospects of expanding trade and economic co-operation between Brazil and Portuguese speaking African countries (PSA), namely Angola, Cape Verde, Guinea Bissau and Mozambique and draws heavily on a study that was undertaken by a consultant.[6/]

20. The rationale behind the choice of the countries in question is the necessity to examine trade flows between Africa and Latin America not only as a whole, but rather to focus on a few selected countries. Such analytical tools permit the highlighting of specific problems encountered by individual countries from which general conclusions can be made regarding the overview of practical and concrete experiences. The choice of Brazil took into consideration the fact that it is the largest trade partner of Africa on the Latin American side. Brazil's trade accounts for approximately one half of total export and import values exchanged between Africa and the Latin American region. This particular segment of Afro-Latin American trade is highly representative and reflects many of the problems inherent in their interregional trade. Another reason in the choice lies in the fact that Brazil adopted and vigorously pursues a deliberate policy of rapprochement, particularly with the Portuguese speaking African countries.

6/ The summary of policy issues presented in the section is based on a study prepared by ECA consultant Mr. Jean-Marie V. Ndimbira in December 1987.

(i) The state of trade relations

21. Trade flows in terms of exports from PSA countries to Brazil mainly consist of crude oil that originates from Angola which is also Brazil's third largest trading partner in Africa, after Nigeria and Algeria. There was a marked increase in trade between Angola and Brazil during the period 1974-1981 largely due to an increase in oil exports. Thereafter, Angolan exports stabilized around US$140 million a year, with US$138.8 million worth of exports in 1986.7/ Exports from Guinea Bissau and Cape Verde to Brazil are virtually non-existent. On the other hand those by Mozambique amounted to US$14 million in 1982, US$11 million in 1983 but came to a halt in the succeeding years.

22. Imports of PSA countries from Brazil are dominated by agricultural products, mainly food, chemicals and minerals (accounting for about 70 per cent of the total). Thus Angola imported US$122 million in 1986 as against US$129 million in 1985 and US$90 million in 1984. Mozambique exhibited a similar import structure from Brazil in spite of an accompanying a constant decline from the peak of US$99 million in 1982 to US$20 million in 1984 and the all time low of US$5 million in 1986. The same tendency was observed with regard to Guinea Bissau whose imports from Brazil plunged from US$2.6 million in 1982-1983 to only US$17,000 in 1986. Unlike the two preceeding countries, Cape Verde experienced an important growth of imports from Brazil from US$1.5 million in 1984 to US$7.7 million in 1986.

(ii) Economic co-operation relations

23. Economic relations between these two groups is clearly a manifestation of historical linkages. Brazil's better developed trade regime has provided much of the momentum. It has developed a notable export capacity in the field of engineering services linked to several major projects executed by it in Africa. In particular in the sphere of construction of hydroelectric power stations, highways, railways, airports and industrial plants on turn-key basis. Such projects are usually directly or indirectly related to efforts aimed at securing certain amounts of oil imports. For example, the biggest economic co-operation project between Brazil and Angola is the KAPANDA hydro-electric power station, undertaken with the participation of the USSR. The Brazilian side is responsible for the construction of the dam, including necessary technical assistance and specialized personnel. In this connection also, the Bank of Brazil provided the credit amounting to US$ 280 million that is to be repaid by Angola supplying oil to the Brazilian state oil company PETROBRAS. Additionally, a subsidiary of PETROBRAS, the BRASPETR company has designed, built and put into operation two oil drilling platforms for shelf oil fields in Angola.

7/ International Monetary Fund, Direction of Trade Statistics Yearbook, 1987.

24. Brazil does not usually extend credit lines except for projects it considers to be of very high priority and it will then seek external finance for programmes of technical assistance to other developing countries. At the time of writing, a programme of technical co-operation was being implemented between Brazil and Mozambique, covering such areas as agriculture, particularly irrigation and rural development management, as well as small-scale industries and education, including training in mining, geology and engineering. In accordance with the memorandum of understanding signed between Brazil and the UNDP Regional Bureau for Africa, this programme is financed by UNDP. A technical assistance programme along similar lines was also being considered for Guinea Bissau.

25. There is sufficient evidence to support the view that Brazil attaches special interest to developing co-operation with Cape Verde because of the privileged geographic position of the latter. An ambitious Africaport project has been initiated in Cape Verde by Brazil with a view to creating a gateway for Brazilian products in this country. The envisaged port will serve as a middlepoint for Brazilian exports to Western and Northern Africa. It is also expected to offer a number of economic opportunities to the host country by associating it with the more developed transport infrastructure and facilities, increased employment and cargo handling.

26. However, the above prospects are dampened by the other factors. Not least of:

- The inadequate market information. The absence of language barrier presents a great advantage but then only few contacts have been made. Initiatives at expanding trade have been mainly confined on the Brazilian side. Consequently, there is an urgent need that a survey of market profiles be undertaken in order to assess the potential supply and demand for goods and services on both sides. Additionally, assistance will need to be provided by Brazil in the area of trade promotion and establishment of trade support systems where it has an extensive expertise.

- The competitive production structures. These two group of countries have similar climatic conditions and a common historical background which explains their composition of agricultural production and exports. Perhaps this is what thus limits possibilities of exchange between them. In this regard, regional specialization according to comparative advantages need to be collectively assessed with a view to greater exploitation of their complementarity.

- The inflexibility of production and market structures. The poor economic performance on the African side means that even volumes of traditional exports to traditional markets are on the decrease. In other words, African countries are facing problems even in sustaining their exports and maintaining their established market shares, let alone capturing new markets in Brazil. Thus the existing economic relation ought to form a good basis on which to build the current economic reform policies seeking to arrest and reverse the downward trends in economic performance. These could therefore be strengthened with a view to increasing trade with Brazil to better heights.

- The financial problems. Brazil has fundamental balance-of-payments disequilibria even if much larger than the PSA countries and a large debt overhang. This situation need not necessarily imply that opportunities for developing conventional trade by conventional methods are therefore limited since new strategies can still be adopted. One such possible option ought to include counter-trade strategies since such arrangements have already been started between the two regions for certain products.

27. It is in the light of the above that the following mechanisms of promoting trade between the PSA countries and Brazil require concerted efforts. In particular since -

- expanding the legal framework for counter-trade arrangements beyond the current government-to-government deals must aim to actively involve the private sector;

- disseminating the necessary information on counter-trade techniques, possibilities and eventual advantages, as well as on supply potentials existing in African countries, requires greater investment in time and resources;

- setting up of appropriate financial schemes to assist in promoting trade between Brazil and PSA countries, drawing on the extensive Brazilian experience in this field can benefit from joint ventures initiated and co-managed by the groups of countries;

- establishing joint ventures in PSA countries, including, inter-alia, tripartite enterprises with third party financial participation is one way out of the present financial constraint. Financial constraints already restrict Brazil's capability to use its considerable know-how to assist African countries to develop their economies. Consequently, adopting the UNDP model whereby Brazil could offer the manpower and technical expertise with external source providing the necessary financial resources could be explored with certain Nordic countries and within the Southern Africa Development Coordination Conference (SADCC).

(c) Major constraints and strategies and mechanisms for trade expansion between Africa and Latin America

28. The preceeding paragraphs concentrated on one Latin America country on the one hand and a few Portuguese speaking African countries on the other hand. What follows now turns attention on the export structures by major commodity groups for both regions. The basis is the study jointly undertaken by ECA and ECLAC secretariats 8/ which stresses that prospects for the expansion of African exports to Latin America are not as favorable as in the opposite direction even for such important African exports as

8/ Africa and Latin America: Perspectives for Interregional Co-operation. United Nations, March 1985, pp.44-53 and 80-81.

cocoa, coffee, iron ore, fresh fruits, clothing, non-ferrous minerals and fibres and yarn. They are unlikely to contribute significantly to the development of interregional trade with Latin America since the latter has large export surpluses of these particular product groups.

29. African exporters are not yet able to offer an equivalent supply possibilities in such commodities as medicinal products, soap, iron and steel sheet and plates and electric generators. However such other items can be singled out in which Africa could with proper restructuring of their production and marketings supply its Latin American counterparts: manufactured and crude fertilizers, rubber, aluminium, essential oils, certain fresh vegetables, cotton fabrics and ready made textile articles, timber. In any event, Latin America can be said to hold out interesting prospects for the expansion of the above-mentioned and other African exports, since its market is large, diversified and highly dynamic. Reciprocal trade potential exists in many areas and, on the other hand, the present conditions offer better prospects for joint co-operation in the production activities and sales to third markets.

(d) Major obstacles to trade expansion

30. In the light of the analysis carried out in two preceding sections, the following general conclusions can be formulated with respect to the current state of Afro-Latin American trade:

(i) Trade is of recent origin and therefore embryonic and at times somewhat erratic in character both in terms of its levels and products marketed.

(ii) The participation of different countries is highly unequal, major trade flows are concentrated in a few countries, whereas in most other cases it is virtually non-existent.

(iii) Africa's exports consist almost entirely of petroleum, whereas those of Latin America are of a more diversified nature. In quantitative terms, only a few African countries show surpluses on their trade balance with Latin America (exclusively petroleum exporters).

(iv) Despite the rapid relative development of some trade flows, the traditional linkage of both groupins of countries with suppliers and markets in developed countries still prevail. Thus South-South co-operation is very narrow in practical terms.

(v) The production and trade patterns in the countries of both regions are what constitute an important set of impediments to the promotion of interregional trade.

31. The picture becomes a little clear in the light of the foregoing which factors have above contributed to the present lack of strong trade exchanges between the developing countries of Africa and Latin America. Nevertheless, it is still possible to exploit any inherent advantages that can be derived from greater co-operation among institutions and countries on both sides of the Atlantic Ocean. Advantage can also be taken of the emerging institutions of State Trading Organizations, various economic integration groupings as well as the Global System of Trade Preferences among Developing Countries (GSTP). In the meantime we can not overlook some of the earlier initiatives of the early 1980s when various conferences and meetings between the two regions within the context of activities of the Group of 77, reflected a new dynamism in the field of trade and finance and reinforced the belief in the strength and wisdom of collective self-reliance as the most effective way to economic development.

32. In opposition to the historically determined situation, various goals are projected which the African and Latin American countries seem to have in common and with which the future development of trade should be consonant. For instance, giving dynamism to trade with a view to raising it to significant levels and mutually beneficial to all the countries; diversification of the products traded with the incorporation of non-traditional exports; better-balanced trade in quantitative terms; extension of co-operation to areas beyond the mere trading of goods to include technological and financial co-operation; and an increase in close interrelationship in the general economic, cultural and even political spheres. These elements constitute a package of alternatives and supplement traditional linkages with the former metropolitan countries. In the pursuit of the common objectives mentioned above, a wide range of problems will be faced and these will require to be further investigated. In particular those relating to expansion and diversification of exportable supply on the one hand and, those to do with mechanisms and methods of facilitating trade on the other hand.

(e) Expansion and diversification of exportable supply

33. The lack of exportable surplus of non-fuel, and raw mineral products such as phosphates, certain metal ores and tropical timber and natural rubber, on the African side is a real problem in trade relations between the two regions. On the other hand, Latin American exports to Africa originates from the newly industrialized countries consisting of Brazil, Argentina and Venezuela. Latin America produces and exports virtually all the products produced and exported by African countries. Nevertheless, even with regard to tropical products it is possible for certain African exports like fruit and fish from the African region which become available during certain seasons to be exported. Certain species of tropical woods for highly specific uses, certain grains not grown in the other continent can also be traded. Similar opportunities exist also in the mining sector in connection with minerals that are especially abundant in Africa.

34. It is in the manufactures and services sectors, however, that the greatest possibilities for trade should be sought. Brazil has paved the way. Reference has already been made to the special attractiveness of Brazilian products among the African consumers, because of their «tropicalized» technology. Latin American intermediate technology has also been found to be cheaper and more appropriate for African specific conditions than the more sophisticated technology of the industrialized countries. For example, more suitable technology of the Latin American motor vehicles, whose suspension system is better fitted for African roads. Another interesting opportunity might be afforded by internal combustion engines operating on biogas, a technology recently perfected by Brazil and which may be extremely useful for many African countries in terms of reducing import requirements in fuel.

35. There is a pressing need for African countries, on the other hand, to develop exports of both semi-manufactured and manufactured goods. African exports to Latin America need to be diversified by country and by product composition. But this cannot be attained without appropriate development of a proper production base. In a nutshell, problems of diversifying African exports can only be solved through creating or strengthening respective industries that are capable of generating sufficient exportable supply and surpluses. There is a real danger that without such corrective or remedial measures no substantial improvement in the existing pattern of African external trade will take place on the export side.

36. Indeed, the Latin American region as a whole represents a great deal of import capacity in respect of a very wide range of products which in circumstances of relative proximity to Africa holds better prospects for the development of exports from the latter. Consequently, both parties should be urged to explore possibilities of establishing joint ventures to which each of the partners concerned could contribute respective elements on the basis of comparative advantages, such as Latin America's technological and enterpreneural know-how being combined with Africa's natural resources and manpower. It is possible that such an approach cound endear possibilities of participation of capital from international sources such joint or eventual tripartite ventures leading to the establishment of manufacturing enterprises in Africa. The manufactures produced could in the first stages be primarily targeted towards local markets of the participating countries and regions before branching out to third parties.

37. Brazil is practically the only Latin American country which has entered into joint ventures with African partners. Brazil's initiative has given rise to the formation of enterprises with different forms of capital participation, e.g. with Brazilian capital alone or on a mixed basis involving also private or public capital of host countries. Enterprises exist in the following sectors: mining (phosphates in Senegal), agriculture (livestock production in Nigeria), technology (technical advisory assistance in Nigeria) and finance (bank agents in Nigeria and Côte d'Ivoire). These examples are of outstanding importance and, undoubtedly, the establishment of such ties with the view to intensifying and strengthening long-term relations between Latin America and Africa will depend to a significant extent on the joint investment that may be placed in the African region.

(f) Facilitation of trade

38. What these Brazilian examples make clear is the fact that the potential exists despite the many obstacles that stand in the way of the perceived mutual benefits.

(i) Trade policy aspects

39. As earlier pointed out, trade policies of most developing countries have tended to be guided by the need to protect industries, to satisfy traditional importers and suppliers. Non-traditional trade partners are of a more recent origin and therefore do not favour subregional or regional integration groupings. It is therefore rather difficult given the above background to contemplate a set of drastic developments in the field of trade expansion even within the context of economic co-operation among the countries of two developing regions. It goes without saying that proposals for trade expansion will need to consider reciprocal lowering of tariffs and changing respective trade policies to favour trade between the two regions. These suggestions are by no means totally new. They are being put forward both in the light of the analysis made above and against the experiences of other world economic groupings.

40. Some of these suggestions could be achieved at interregional level through bilateral or multilateral trade negotiations. However, it is important to caution Africa not to lose sight of certain other elements when going into such negotiations. Attempts at lowering tariffs should be weighed against a possible increase in the competitiveness of the parties - in other words, putting them in a more privileged position in the market. Similarly, the likelihood of using complementary agreements and joint ventures as a means of boosting African exports of manufactured goods to Latin America would need to form part of the package during such negotiations. This is necessary if Africa is to begin to counter the existing disequilibrium between her and many of the countries in the Latin American region.

(ii) Aspects of financial and monetary arrangements

41. One of the greatest handicaps to facilitation of trade is probably the problem of financing trade exchanges. Most of the African and Latin American countries face chronic shortages of foreign exchange which are reflected, inter alia, in extensive regulations of operation involving foreign currencies. Hence the need for more liberal financing of interregional trade if it is to be developed. There is very little in the way of credit or clearing arrangements among developing countries at the interregional level as opposed to the subregional integration organizations where some use is made of national currencies. Otherwise, most interregional trade is carried out on the basis of payments in the convertible currencies.

42. The creation of multilateral clearing arrangements across the Atlantic ocean would be conducive to simplifying and facilitating trade transactions. In short, they should make it possible to (a) increase the utilization of members national currencies, (b) optimize and economize the foreign exchange reserves of their participants, (c) foster a more economical use of central banks resources, (d) provide short-term credit in reasonable amounts for immediate clearing purposes, and (e) enhance co-operation and consultations among members on common commercial and monetary issues. Advantage therefore

ought to be taken of certain existing subregional arrangements. For instance by linking the West African Clearing House (WACH) with the Central American Clearing House (CACH), the same holds true for PTA or Central African clearing arrangements with SELA and ALADI. Such developments need to go hand-in-hand with mobilizing the support of various commercial banks. For instance, by establishing overseas branches of African commercial banks in some Latin American countries and vice versa. Attempts will also need to be made to initiate export credit guarantee schemes.

(iii) Aspects of trade information

43. Related to this subject is the problem of lack of trade information. Contacts between African and Latin American trading companies and information of what each can offer or require do not really exist. It is also extremely difficult to obtain reliable information on potential clients. External trade regulations, possibilities for the sale of products are equally difficult to come by. As a result, problems arise when trade guarantees required to cover a transaction can not be obtained. We therefore suggest that the support system established by Brazil, provides a useful basis in respect of developing trade information because it has proved to be highly effective in the concerting of trade transactions. Of course, not all the countries will be in a position to organize and maintain a similar system. In those cases, joint mechanisms could be established jointly by the African and Latin American Chambers of Commerce working together.

(iv) The role of state trading organizations (STCs)

44. The role which can be played by state trading organizations (STOs) is already evident in the light of the above. They are strategic as important buyers with all the prerequisites for negotiating favorable agreements of purchase and sale of products on behalf of their respective countries. Thus, in certain cases they could link their purchases with the sale of certain quantities of their national products including arranging counter-trade arrangements. For instance, Algerian state import agencies were directed to induce sellers interested in Algerian market to purchase Algerian goods.

(v) Transport and communications aspects

45. The lack of efficient and appropriate transport and communications infrastructure can be a major stumbling block to expansion of exports. Poor port facilities and occasional surcharges which result in high handling costs add up to diminishing the competitiveness of African products in international markets. Small export quantities relative to available space on vessels also reduce prospects even for the products which are competitive. It is considerations of this kind which make it necessary to co-ordinate the global approach to promotion of exports as a package with other measures aimed, among other things, at establishing reliable transport systems especially those using national carriers of both regions.

46. Great care will also have to be taken in the development of other direct communication services like telecommunications. The fact that these communications are channelled through large world centres does not mean that this function should necessarily make communications more difficult and costly. Of course, the problem in this area is not merely one of technology. It also arises from the question of organization and in some cases due to heavy initial investment.

(g) Recent activities by ECA Secretariat in promoting Afro-Latin American Trade

47. ECA has been assisting member countries of the African region both individually and collectively as a region in this area. The generous financial support provided by the Government of the Netherlands to ECA enabled both the ECA and ECLAC in collaboration with other United Nations agencies like UNCTAD, ESCAP and ESCWA to translate into practice this objective of fostering co-operation between Africa and Latin America. Thus ECA organized several African Businessmen Tours to Latin American countries (October-November 1982). The report and recommendations of the Joint Meeting of Governmental Experts from Africa and Latin America on Economic and Technical Co-operation was a product of assistance provided by ECA and ECLAC in June 1982 in Addis Ababa, Ethiopia. It reflected on the diversity of the regions of Latin America and developing Africa not as an unsurmountable obstacle. Rather, that readier access to their respective development experiences could produce a significant improvement in the range of available technologies, expertise and styles of development. It also highlighted many fields in which collaborative efforts could be most useful.9/

9/ See Report of the Joint Meeting of Governmental Experts from Africa and Latin America on Economic and Technical Co-operation, E/CEPAL/G.1212-ECO/STC/I/5, June 1982, Addis Ababa, Ethiopia.

TRADE, ECONOMIC AND
EAST AND DE

(a) Current situation in trade

48. The history of trade relat
reveals among others that in th
but then began to decline after
African exports grew steadily
million in 1977, to US$713 mill
African imports from the same s
between 1985 and 1986 African
respectively. (see Table 4).
was not of the same magnitude h
US$3.149 billion in 1986.

49. Data given in Table 4 show
are dominated by oil, accountin
purchases of African countries
products in import flows from M
tendencies can be observed in r
rose from 0.7 per cent in 1980
(0.4 per cent and 2.1 per cent
products» from 4.7 per cent to
that together with the group of
importance is more or less stab
over 1985-1986, manufactured
in these trade flows and accou
of total exports.

50. Ironically, African export
dominated by oil shipments even
in 1980 to 52.6 per cent in 198
in 1986. At the same time, cer
only for 1.7 per cent in 1986,
consisting of other manufactur
in 1980 to 13.4 per cent in 198
product
/category was that of chemicals
to 12.9 per cent in 1986. Ther
food, beverages and tobacco who
cent during this period.

51. On the basis of this analy
hinder trade expansion between
quite evident that the existing
The list of products which the
still grow in importance if th

10/ International Monetary

CHAPTER THREE

NANCIAL RELATIONS BETWEEN MIDDLE
ELOPING AFRICAN COUNTRIES

exchanges between Middle East and Africa

ns between African and Middle East countries
1970s their trade exchange were on the increase
1980 to a point of stagnation.
from US$757 million in 1975 to US$345
on in 1979 to US$1,901 million in 1980.
urce also revealed a similar trend 10/. However,
exports were US$1,165 million and 1,132 million
he decrease registered with regard to imports
ring dropped from US$3,524 billion in 1980 to

that exports of Middle East countries to Africa
for between 70 and 80 per cent of total
rom that region. Despite the share of other
ddle East not being significant, certain upward
spect of such products as chemicals whose share
3.8 per cent in 1986 textile yarn and fabrics
espectively) and the other manufactured
1.2 per cent respectively. It may be argued
achinery and transport equipment whose
e in Arab exports to Africa - around 5 per cent
roducts represent the second largest category
ted in the three years for over 15 per cent

t the region in question are also largely
though they slightly declined from 66.0 per cent
43.3 per cent in 1985 and, to 39.9 per cent
l exports contracted considerably to account
Other African exports to Middle East, sspecially,
oods exhibited a fast growth rate from 3.6 per cent
and 15.6 per cent in 1986. Another fast-growing
ose share increased from 2.6 per cent in 1980
is also noticeable increase in regard to
share went up from 20.9 to 23.2 per

is, it is possible to point to certain areas that
frica and Middle East countries. It becomes
otential has not been exploited to the full.
ountries of the two regions can exchange could
necessary structure were put in place.

Fund, Direction of Trade Statistics Yearbook, 1981

Table 4

Africa's exports to and imports from Middle
(in million US Dollars,

COMMODITY GROUPS (SITC, Rev. 2)	E X P O R		
	1980	1983	1984
1. Food, beverages and tobacco (0 and 1)	376	426	334
2. Cereals (041-045)	82	82	92
3. Crude materials (exc. fuels), oils, fats (284)	111	118	111
4. Textile fibres (26)	6	13	16
5. Crude fertilizers and minerals (27)	41	20	11
6. Metalliferous ores and metal scrap (28)	2	26	27
7. Mineral fuels and related materials (3)	1,189	622	840
8. Chemicals (5)	46	146	131
9. Machinery and transport equipment (7)	6	6	11
10. Other manufactured goods (6 and 8)	64	117	125
11. Textile yarn and fabrics (65)	20	31	42
12. Non-ferrous metals (68)	15	26	14
TOTAL	1,801	1,436	1,613

Source: Monthly Bulletin of Statistics, United N
May 1988.

East by major commodity groups
.O.B. prices)

T S		I M P O R T S				
1985	1986	1980	1983	1984	1985	1986
265	203	87	193	151	99	167
30	19	0	0	0	0	0
84	78	54	52	71	102	118
8	6	41	32	55	48	50
9	8	7	6	5	7	7
30	24	0	0	0	0	0
505	452	3,037	2,102	1,954	2,342	2,264
145	146	26	79	92	56	93
9	14	147	169	155	147	149
156	177	166	278	370	297	352
56	40	13	38	54	59	66
25	29	0	0	0	0	0
1,165	1,132	3,524	2,928	2,815	3,049	3,149

tions, New York, 1988, Vol. XLII No. 5.

(b) Major constraints in promoting trade between Africa and Middle East

52. By and large, trade obstacles between developing Africa and Arab countries of the Middle East relate to the nature of their traditional trade relations and the commodity structures of their exports and imports. They also arise or are imposed by restrictive trade policies and tariff regimes, underdeveloped industrial base, insufficient transport and communications facilities, imperfect payment and credit arrangements, lack of trade information, and export credit guarantees and financing. In a nutshell, many of the problems examined in respect of Afro-Latin American trade, are also encountered in trade with Middle East countries and are the consequence of the interplay of the same economic factors.

(i) Trade structures, policies and tariff barriers

53. The economic strategies adopted by most African countries in the past, tended to encourage import substitution without caring to think of what to do with surpluses. Part of the failure by African countries to capture new markets is explained by the effects of policies designed to protect infant industries at home. Tariff barriers were introduced in many African countries with resultant impediments for the inflow of imports required to sustain production of exportable goods. In certain cases the situation led to over-protection of inefficient local industries which then fail to generate significant exports. The general lack of developed industrial infrastructure also does not allow for diversification of export production through processing of raw materials and therefore perpetuates Africa's position as an exporter of primary commodities.

54. Many African countries tend to formulate policies that put luxury and semi-luxury products at a disadvantage by virtue of heavy taxes imposed on them. The rationale behind such policy is the need to create revenue to support certain national social services and recurrent government expenditures in the belief that those who buy the products can afford to do so. Industries which are indiscriminately protected end up producing goods rather inefficiently and cannot compete in external markets. Moreover, the high tariff protection of national market creates a situation where the country cannot expect concessions from its trade partners. A situation that makes export promotion more difficult. Hence, Governments protection should be limited only to pioneer industries with potential or proven efficiency and over a relatively short period.

55. Another reason behind the inability of African countries of succeeding with their export drive is caused by scarcity of foreign exchange when they are compelled to resort to import restrictions, high tariffs and quotas, and industrialization policy based on imported inputs is inherently risky. It is therefore this combination of numerous economic factors apart from operating with overvalued exchange rates which has resulted in increasing the obstacles to industrial development with consequent shortages in exportable supply. What is implied is for special measures to be introduced to stimulate industrial production and create a more liberal environment in trade relations between these two regions. Such measures would invariably involve creating preferential trade regimes including greater economic co-operation in the

form of joint production, marketing and distribution buttressed by joint efforts by financial schemes. Such course of action would be in a better position to withstand competition posed by exports from developed economies and the newly industrialized countries.

(ii) Transport and communications

56. Transport problems are a recurrent theme in many African economies. Its under/developed nature has adversely affected trade expansion. Probably, Nigeria is the one country with relatively satisfactory number of ocean vessels at its disposal. Nonetheless, the volume of Nigerian cargo destined to Middle East does not warrant allocation of more ships to that area. In many other African countries, the volume of cargo does not allow for the establishment of permanent links.

(iii) Trade information

57. African countries are usually placed at a disadvantage when attempting to export to the Middle East because reliable information on the size of the market, patterns and perspectives for particular products, existing tariffs and quotas, import regulations, taxes, currency restrictions is difficult to come by.

(iv) Payment and credit arrangements, export credit guarantees and financing

58. The absence of payment and credit facilities undoubtedly retards efforts aimed at expanding trade flows between the two regions. Insistence on payment being made in convertible currencies for countries suffering from foreign exchange only adds to this problem. In the meantime only also a few of African countries have tried to introduce export guarantees and financing as a means of giving incentives to exporters to increase exports.

(c) Financial and economic co-operation between African and Middle East countries

59. A major impetus to economic and financial co-operation between the two regions can be said to have been made at the first Afro-Arab Summit Conference held in Cairo in March 1977. The meeting lent a lot of significance to the expansion of Afro-Arab trade and co-operation. It drew for background on certain inherent common characteristics of geography, history and culture. It called for strengthening co-operation and intensification of joint efforts in the areas of trade, mining and industry, agriculture, energy and water resources, transport and communications as well as financial relations. In the sphere of trade it called for the establishment of direct commercial relations that could facilitate Afro-Arab trade exchanges. For instance, establishing preferential trade regimes, promoting co-operation among trade organizations and business enterprises including participating in each other's trade fairs and close contacts between banking institutions, insurance companies of the two regions.

60. Some of the data compiled by the Arab aid agencies in respect of financial cooperation reveal that Arab Governments committed a total of nearly US$8 billion for direct aid to non-Arab Africa in the period 1975-1982, mostly on concessional terms. 11/ Arab aid commitments in favour of African countries rose to US$1.707 billion in 1980 from only $52.0 million in 1979, then dropped to US$1.160 million in 1981, to US$1.066 million in 1982 and continued to decline in the succeeding years.

61. Of the total about 64 per cent has been directed to specific development projects, another 36 per cent was for non-project assistance. The projects financed included cement plants, port facilities, construction of highways, railways, airports, various agricultural sectors, textile plants and water supply. Most important among the multilateral and bilateral financial institutions created by Arab countries are the Arab Bank for Economic Development in Africa (BADEA) that plays mainly catalyst role in capital flows from Arab countries to Funds and the Islamic Development Bank and Arab Fund for Economic and Social Development. Similarly, the Kuwait Fund for Arab Economic Development, the Saudi Fund for Development, the Abu Dhabi Fund for Arab Economic Development and the Iraqi Fund for External Development.

62. It has become more evident that the considerable efforts made by Arab oil exporting countries to provide financial resources to developing Africa will not be maintained over a long period because circumstances have changed. 12/ It is therefore quite safe to presume as the latest data confirm that Arab countries' concessional aid to the Third World, and to Africa in particular will diminish because their main earning source which generated those surpluses is not able to sustain the momentum.

63. As the Arab and African countries look back on the past ten years of their co-operation, they can not avoid a certain feeling of disappointment. The high hopes initially placed in that co-operation have not been fully fulfilled. However, some valuable experience has been accumulated. It has reinforced their common destiny, compelling them more and more to turn to each other to draw strength from their own resources. This is what gives Afro-Arab co-operation added impetus as a reliable framework for self-reliance.

64. It is in order to overcome the present stalemate that new initiatives are required as pointed out by many authors. 13/ For instance encouraging private investment by Arab investors in developing African countries.

11/ As quoted by Bichara Khader, «The Afro Arab Alliance: an Economic Strategy for the 1980s» in «The Role of the Arab Development Funds in the World Economy» Edited by Michele Achilli and Mohamed Khaldi, 1984, Milano, p.65.

12/ See A. Sid Ahmed «Arab Development Agencies and South-South Co-operation» in Op.cit., p.113.

13/ See Karl Lavrencic in «Afro-Arab Partnership for Development», BADEA, 1985, p.123.

This can be achieved by setting up an investment guarantee fund to lend and protect potential investors against non-commercial risks including nationalization. Of course, for all the suggestions to materialize, a qualitatively new stage of governments co-operation and intervention is needed since only then can trade preferences be introduced, investment inducements enacted and other measures taken, aimed at the effective promotion of trade between African and Middle East countries. There is no doubt that Afro-Arab co-operation requires a fresh boost in order to enable it reach new horizons and must not be allowed to remain a one-sided affair, confined to flows of concessional capital from one region to another.

(d) Prospects for expanding trade and economic co-operation between Africa and Middle East and major conclusions and recommendations

65. It is possible to conclude from this rather brief analysis of Afro-Arab trade that unless economic restructuring of African countries is undertaken, as prescribed in the Lagos Plan of Action and Africa's Priority Programme for Economic Recovery, 1986-1990, prospects for any considerable expansion of trade between Middle East and African region could still be bleak. Hence, solutions have to be sought with regard to problems associated with production with a view to increasing export surpluses coupled with providing relevant supporting services and mechanisms. Similar action will aslo be required aimed at establishing improved trade regimes and credit facilities.

66. According to one UNCTAD study 14/ import requirements of Middle East countries in the past ten years have undergone substantial changes. Currently, any product exported into the Middle East region has to meet certain specific quality standards, standards which most African exporters are not yet in a position to fulfill. An example in this respect can be cited in the case of wood, since African countries export theirs in rough form. On the contrary, the Middle East countries principally import «wood simply shaped». A degree of processing would only be possible, and that idea was already stressed in the previous sections, if Arab investors help to create respective industries in the African region.

67. It was possible to deduce that the export of agro-based industries has the biggest potential in trade with the Middle East. The following indicative list of subsectors was identified by the UNCTAD study as meriting action for joint projects aimed at creating export flows to the Middle East:

(i) Livestock and exports of fresh and preserved meat;

(ii) Preservation of fish;

(iii) Fresh and preserved fruits, and nuts;

(iv) Sugar, coffee, cocoa and tea;

(v) Spices.

14/ UNCTAD/ST/MFD/1, Trade Promotion between Arab World and Developing Africa, 1970-1981, March 1985, p.152.

(vi) Animal feeding stuffs;

(vii) Tobacco;

(viii) Hides and skins, leather products;

(ix) Oilseeds;

(x) Crude rubber;

(xi) Wood and wood products;

(xii) Cotton yarn, textiles; and

(xiii) Vegetable oil.

68. Prospects also exist for a number of other mineral exports from African countries. The present policy of developing energy-intensive industries within the oil exporting Arab countries of the Middle East holds promise for African exporters of bauxite, copper or iron ore. For example, the steel reduction complex built by Korf Stahl of West Germany in Saudi Arabia will require such inputs. It would be feasible to tie in a long-term procurement contract and project development loan for each Arab project likely to use imported raw materials from the African region.

69. In the context of creating a general framework conducive to the promotion of Afro-Arab trade and economic co-operation, the following measures seem pertinent:

(a) Multilateral co-operation is an important for the realization of national and collective self-reliance given the small size of most national markets on both sides which lack complementary factor endowments. Such co-operation would be significantly enhanced when buttressed by certain basic elements of legal nature linked with industrial co-operation and trade agreements in raw materials;

(b) Joint investment ought to be a major issue in the mobilization of financial resources for investment projects. Co-operation in this field is indeed crucial and goes beyond declarations of commitments or general principles. African countries will only succeed in attracting Arab capital if they offer sufficient incentives and guarantees of good returns on the investments. A system of better treatment, better guarantees for equitable distribution of profits, state guarantees for investments, exemption from customs duties on production of machinery and exemption from income taxes for the initial period will need to be part and parcel of its elements;

(c) Credit and payments systems will have to be introduced to help Middle East and African businessmen and state trading companies in their financial operations. Clearing arrangements, improved export credit facilities as well as greater co-operation between respective regional financial institutions like the development banks have to be made to play their respective roles.

CHAPTER FOUR

EXISTING AND POTENTIAL TRADE BETWEEN AFRICA AND ASIAN COUNTRIES

(a) Commodity structures and major exports/imports trends in Afro-Asian trade

70. Most of what is revealed in chapters two and three can resemble what obtains regarding Afro-Asian trade relations, except for certain variations. However, Africa's trade with countries of the Asian region has relatively long history than with the other developing regions. Trade flows gained the momentum during the 1960s after starting rather slowly in the early 1950s. The peak of exchanges was attained in 1980 and then relatively remained at the same level over the next four years. This lack of dynamism was attributable to a severe socio-economic crisis in Africa which also affected the region's overall trade with the rest of the world. On the contrary, overall exports of Asian countries to Africa continued to increase at average annual rate of 5.5 per cent between 1980 and 1986. Thus Africa's export share in relation to Asia's total imports was as follows: 1.2 per cent in 1980 1.7 per cent in 1983 and 2.5 per cent in 1986. In contrast, Africa's export share of Asia's total imports was not only relatively insignificant but also declined from about 3 per cent in 1980 to 2 per cent between 1980 and 1985, and 1.9 per cent in 1986.

71. Data provided in Table 5 show a definite imbalance of trade between the two regions in any given year between 1980 and 1986. This development is most unhealthy since can not be sustained over extended periods of time given the circumstances of the burden of mounting debt in Africa.

72. One of the main causes which explain why Africa carries a deficit of trade with the Asian region perhaps Africa exports relatively less fuel than it does to Latin America. Since the former is either self-sufficient or has other sources of supply. For example in 1986, Africa only managed to export US$305 million worth of petroleum to Asia. Hence, in the absence of any significant shipments of oil, African countries seem unable to expand exports of other products, especially manufactures.

73. African exports to Asian countries consist mainly of agricultural products. However, their importance somewhat began to decline from the early 1980s as these countries became more self-sufficient. Thus, the category of food, beverages and tobacco which traditionally accounted for one-fifth of Africa's exports to Asia only represented about 11.8 per cent in 1986. Crude materials, oils and fats went down both in relative and absolute terms from 32.6 per cent in 1984 to 26.4 in 1986. Similarly for textile fibres which then accounted for 16.6 per cent of total exports in 1986 as against 22.2 per cent in 1984. The third most important category were chemicals whose share fluctuated between 27.6 per cent in 1984 and 16.4 in 1980 and 20.4 per cent in 1986.

Table 5

Africa's exports to and imports from Asian

(in million US Dollars,

COMMODITY GROUPS (SITC, Rev. 2)	E X P 1980	1983	19
1. Food, beverages and tobacco (0 and 1)	155	186	2
2. Cereals (041-045)	1	2	
3. Crude materials (exc. fuel), oils and fats (2 and 4)	196	314	3
4. Textile fibres (26)	100	188	2
5. Crude fertilizers and minerals (27)	54	33	
6. Metalliferous ores and metal scrap (28)	9	8	
7. Animal and vegetable oils, fats and waxes (4)	0	9	
8. Mineral fuels and related materials (3)	531	133	
9. Chemicals (5)	182	210	2
10. Machinery and transport equipment (7)	2	2	
11. Other manufactured goods (6 and 8)	62	272	1
12. Textile yarn and fabrics (65)	5	6	
13. Iron and steel (67)	0	0	
14. Non-ferrous metals (68)	20	203	4
15. Other manufactured metal products (691-695, 699 & 812)	0	0	
16. Clothing (84)	0	0	
TOTAL	1,130	1,119	1,08

Source: Monthly Bulletin of Statistics, United Natio
May 1988.

ountries by major commodity groups

O.B. prices)

R T S			I M P O R T S				
4	1985	1986	1980	1983	1984	1985	1986
7	198	129	627	737	845	616	680
3	2	0	343	421	548	344	335
3	297	289	310	312	360	330	335
0	166	182	30	24	33	33	35
2	42	47	0	0	0	0	0
2	18	14	1	3	2	2	2
5	12	2	96	165	201	202	183
	132	305	3	137	90	22	41
	217	223	116	125	106	130	135
	5	16	1,121	731	749	513	668
	124	131	1,799	1,266	1,203	1 314	1,593
	4	5	667	462	439	493	601
	0	0	53	55	51	54	54
	38	30	11	8	6	7	15
	0	0	135	83	102	231	239
	0	0	312	241	221	193	223
	973	1,095	4,229	3,541	3,663	3,525	3,591

s, New York, 1988, Vol. XLII No. 5,

74. The other category of export items consists of manufactures. In 1986 manufactures accounted for 12 per cent of total African exports to Asia. Moreover nearly half of that percentage was made up of non-ferrous metals slightly processed. The total of machinery and transport equipment exported went up from about US$5 million to 16 million between 1985 and 1986 respectively. In absolute terms, the share of this category was still quite insignificant and it is unlikely that these developments can lead to any positive results concerning rectifying the overall trade balance between these two regions.

75. On contrary, the composition or structure of Asian exports to Africa relatively more diversified and of an advanced degree. The share of manufacture in 1986 was 63 per cent. The most important within this category were exports of textile products and clothing accounting for about 20 per cent. They are also capable of contributing towards sustaining high export earnings because of their high value-added. Despite the fact that Africa buys large amounts of agricultural products including cereals from the Asian region, their importance has gradually decreased.

(b) Obstacles to trade expansion between African and Asian regions

76. There are numerous problems to promoting and expanding trade between Africa and Asia, but these are not confined only to these two regions alone. These problems are also not unique since the trade relations between them follow many of the patterns as already analyzed. The nature of Afro-Asian trade underscores many of the problems for which urgent solutions can be better sustained through concerted efforts. Africa unlike Asia is not able to do it alone. On the other hand a number of Asian countries have reached a much higher stage of industrialization with resultant diversification of their export structure. Admittedly, in this situation Africa has to play the role of supplier of traditional raw materials. In the absence of considerable oil exports to this destination, Africa possesses no other products to serve as a basis for dynamic export promotion.

77. Perhaps another major obstacle is due to the region's poor and inefficient production. Other obstacles relate to existing tariff and non-tariff barriers like those adopted by India against certain imports, the lack of trade promotion mechanisms and trade infrastructure in general, shortage of an efficient internal transport and shipping facilities as well as the lack of financial institutional arrangements to sustain trade between the two regions.

(i) Tariff and non-tariff barriers

78. The existence of tariff and non-tariff restrictions and the way they are applied to products supplied by each region constitutes some of the obstacles that prevent trade of the two regions from expanding, however, these have been the subject of practical considerations at the regional level. For instance where efforts within the ASEAN group of countries have been made to introduce preferential trade schemes and similarly by the PTA or ECOWAS groups. This type of action may at first sight seem like an obstacle to interregional trade because of their narrow scope and initial stages of economic integration. However, it should be possible to exploit their potential and the goodwill built later towards developing inter-regional trade.

79. So far, both tariff and non-tariff restrictions are predominantly used as tools for reducing the level of imports on short-term and medium-term basis, especially in periods of foreign exchange shortages. Hence consumer goods are subject to high tariff rates while such others as cereals are heavily subsidized by governments by virtue of being considered as staple diet of the population. Capital goods and non-agro-based items on the other hand on the whole attract lower tariff rates and fewer non-tariff restrictions since a number of countries grant liberal concessions for capital goods imported under their respective investment codes.

80. It is therefore safe to restate that in general, trade policies of the countries of Africa and Asia have tended to show a much higher level of protection than in the case among the developed countries. The resulting effect is more diversional than creational among developing countries and a bias in favour of trade with the developed economies. The latter trade links are further reinforced by commercial credit facilities some of which are through tied aid, extended by the same developed countries.

81. These constraints to trade expansion tend to vary with the balance-of-payments situation of the developing countries concerned. Quantitative restrictions on imports are applied as short-term measures in time of difficulties. They are only relaxed when the situation becomes less acute, but there is no way of knowing or predicting when such action will be taken by the interested exporters.

(ii) Financial problems

82. Other problem areas regarding Afro-Asian trade emanate from the fact that countries belong to different currency zones and restrict or allocate insufficient quotas of foreign exchange thereby curtailing the flow of trade. This problem is particularly serious in the African region because of its chronic balance-of-payments difficulties. The absence of a system of international settlement of commercial transactions in both regions, where clearing arrangements are confined exclusively to subregional or at best intra-regional trade flows is also an impediment to promotion of interregional trade. African regional clearing system has yet to materialize due to many technical problems. Were such a scheme in existence in the African region, it would be a means of both reinforcing intra-African trade and as a central authority for payments settlement with other developing regions, including Asia. However, a start in this direction ought to base itself on the structures of certain subregional clearing houses like the one in the PTA which could be linked with its Asian counterpart.

83. This lack of an African regional institution specifically created to promote trade with other developing regions is part and parcel of the general absence of other supportive financial mechanisms like the lack of export credit or export insurance schemes.

(iii) Transport constraints

84. If there is one obstacle that is quite prominent, that of lack of proper and efficient transport and communications is one. It is difficult to be precise whether it is a lack of investments in infrastructure, or lack of political will on both sides of the Indian Ocean. This is again particularly true in respect of African region where infrastructures were developed primarily to serve the economic interests of former colonial powers. Many of the problems that arise from this situation are further exacerbated by the underdeveloped state of internal transportation networks which considerably affect the flow of goods to and from rural areas, thus curtailing trade possibilities with, inter alia, other developing regions as well.

85. Comparing the maritime service capabilities of the two regions, Asia is undoubtedly at a more advanced stage. This capability could be extended to cope with increased trade between Africa and Asia should the former endeavour to expand its exports of manufactured products. Currently, the trade flow is heavily imbalanced in that much more cargo originate from Asian countries, but the aspect can be exploited by turning the currently one-way cargo capacity into a two-way system without much additional efforts or investments as long as these efforts are linked to what is suggested above and hereafter.

(iv) Marketing systems and trade information

86. The lack of marketing and trade information systems as stated in the case of Afro-Latin relations also constitute an important impediment to trade expansion between the two regions, particularly on African side. Marketing systems in most African countries continue to be oriented towards trade with OECD countries. For Asian producers on the other hand, the industrialized nations do indeed represent their major market outlets but also to other developing countries. Trade information support systems are still largely at an embryonic stage and their influence on Afro-Asian trade promotion is very marginal.

87. The removal of these obstacles is not a task which can be undertaken within a short time but needed action has to be initiated early. This is especially true as regards the problem of generating sufficient exportable supply on the part of African countries. This analysis has emphasized that there is a greater degree of difficulties for the African region unlike their Asian counterparts which in general have attained a higher degree of industrialization and promoted their manufactures exports to practically all destinations and not neglected their own region.

(c) Prospects for trade expansion between the African and the Asian regions

88. The preceding review of the existing obstacles to trade between the two regions would seem to suggest that the removal or reduction of these obstacles will not, by itself, significantly enhance the rapid increase in trade between the two regions or individual countries of the two regions, but it could to some extent improve trade flows. The capacity to import by individual countries is a function of the level of per capita income.

This will require to be raised before any substantial improvement in commercial volumes can be achieved to the desired levels. This concerns not only prospects for imports and exports on both sides but also because export prospects for African products are mainly constrained by the continent's inability to produce enough both in order to satisfy domestic demand and export abroad. This is why it is crucial for efforts by the African developing countries to be made to redress, restructure and readjust their economic structures with a view to improving their overall performance and boost production that can take advantage of opportunities deriving from fostering economic co-operation among developing countries.

89. Prospects for trade expansion in the short-term relate, from the standpoint of Afro-Asian relations, to consumer goods. This assumption is supported by the pattern of trade between Africa and Asia over the past twenty years. It can therefore be assumed that trade in food items will constitute an important portion of their commercial relations even if Africa were to succeed in reducing its import dependence in cereals in the years to come. Actually, trade in cereals represents only a small segment of trade in agricultural products which is likely to continue with increased population in both regions.

90. All said and done, it is still safe to say that the most promising and still greatly unexploited area for the expansion of African exports is offered by manufactures. In order to attain the necessary balance in trade with Asia, the African region may have to put more of its resources on processing raw materials and developing the capabilities for the production of industrial goods. This possibility can be, of course, considered along side with joint ventures on the basis of matching technology and expertise from Asian countries with raw materials from Africa. Prospects for trade expansion between these two developing regions should, therefore, relate to the exploitation of complementarity rather than specialization. A number of areas that seem most amenable to cooperative exploitation are the textile industry, production of iron and steel, machine tools as well as the establishment of certain consumer goods' industries which are better located in the African region.

91. Similarly, the removal and lowering of tariffs as well as other non-tariff barriers to Afro-Asian trade could promote prospects. For the African countries in particular, the complete removal of tariff and non-tariff barriers would not be in their interest because of some likely serious effects on the incipient efforts at industrial development. Of course, this does not mean that tariffs could not be lowered in respect of a selected number of products. However, the emphasis at this moment ought to be on strengthening existing preferential arrangements at subregional and possibly at regional levels but also allowing for greater co-operation among member countries of each region with other developing region on the basis of created sufficient markets for successful development of industries.

92. Intra-regional economic integration is an essential phase and also a pre-condition in promoting and expanding trade among developing countries. There is ample evidence that within the subregional integration groupings, specific preferential climate favours faster growth of manufacturing sector. There is actually a high correlation between exports of manufactured goods and the level of intra-regional trade since the higher the level of these exchanges, the greater is the region's potential to develop its economies through expanding production achieved by promoting exports to other developing regions.

93. However, prevailing circumstances would seem to suggest that lowering tariff protection could assist in expanding trade between the two regions in question only in respect of a few selected cases. Hence, groups of countries at the same stage of development ought to be encouraged to examine the potential for mutual arrangements aimed at some specific groups of products providing a basis for reinforcing their complementarity. A similar approach could be even more fruitful on bilateral basis between individual countries, identifying specific commodities as candidates for joint venture projects. In case of these two regions perhaps the exercise ought to include textiles, rubber-based products and pharmaceuticals. Market surveys and profiles would also need to be undertaken in the Asian region to determine the potential demand for African products. The general conclusion drawn on the basis of the statistical analysis of the present pattern and composition of trade between these two regions indicates the existence of great scope for taking advantage of potential markets in Asia. The prospects for doing so with the present structures of trade and production in the African region are not particularly bright and therefore a need for efforts to be made to exploit possibilities of complementarity between these two regions both at bilateral and multilateral levels.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

94. To a very large extent, many of the conclusions and needed courses of actions or recommendations have been highlighted in each of the preceding chapters. However, we must stress that the analysis of the situation in the field of Africa's trade with other developing regions reveals certain problem areas. In particular there are which tend to act as constraints to the expansion of mutually beneficial trade. The first set of problems is associated with Africa's difficulties in achieving a measurable degree of economic restructuring and generating sufficient exportable supply necessary for increasing and balancing trade relations with other developing countries. Comparative export structures of developing regions on the basis of data in the tables reveal Africa as still far behind others in terms of diversifying its exports increasing its share of manufactured products relative to the total exports or in capturing new market outlets. This is not all but that in certain instances, the African region has been seen to be loosing even its traditional markets.

95. There is sufficient strong argument in this analysis to show that continued reliance on traditional structures is that perpetuates the dependence situation of the African on its European traditional trading partners. Similarly acts to dampen the achievement of the objectives of Africa's trade and economic relations with other developing countries as non-traditional partners. Efforts to restructure and correct this situation are given emphasis in both Africa's Priority Programme for Economic Recovery 1985-1990 and, the United Nations Programme of Action for African Economic Restructuring and Development 1986-1990. Emphasis is on agriculture development and industrialization programmes basing both on meeting first and foremost local consumer needs.

96. Nonetheless, the political will enunciated in the Arusha Declaration, The Mexico City Programme, the Caracas Programme of Action ought to form a basis for taking the required action and to initiate a strategy of real collective autonomy. Required strategies should invariably ensure, among others that the African countries, as the weakest link in the chain of the developing countries can play a significant role as producers and exporters to other developing regions. These programmes could be made to strengthen the goals of both trade creation and trade diversion.

97. Some of the problems to economic cooperation among developing countries emanate from the danger of breaking up the solidarity of the Third World, since a number of rapidly developing countries are emerging as a kind of new neo-colonialists. In particular those whose pattern of economic relationship with other developing countries follows in the footstep of the industrialized countries of the North. In the words of former Tanzania President Julius K. Nyerere during a Third World lecture delivered in New Delhi on 22 February 1982, «South-South co-operation cannot be developed

along the pattern of past North-South interactions. Within the Third World there are the poor and the less-poor, there are the large and the small.... If, within the Third World, those with advantages seek to exploit the weaker ones, then we shall simply repeat, among ourselves and at a lower level, the kind of dependency imbalance which now exists between the South and the North.... The result of such practices would be the gradual build-up of mutual resentments and a further division - perhaps between the Third World and the Fourth World - to the disadvantage of us all». 15/ This position does in no way suggest that assistance to African countries from other developing regions should be a pure charity. On the contrary, a number of possibilities for mutually beneficial co-operation have been identified, using as a basis, a combination of various production factors and comparative advantages existing in the different individual countries. What is needed on both sides is to give a fresh impetus to such co-operation and initiate real and practical action in this field.

98. The full potential for expanding trade among developing countries will not be realized without specific policy measures being taken to promote this trade. This is because a number of factors still tend to favour North-South trade links and act as barriers to the growth of inter-developing country trade. Traditional and historical links that tie developing countries to the industrialized world are still a powerful factor in determining both trade creation or trade diversion, particularly in case with the African region. Some are reinforced by such factors as the availability and flow of market information, the pattern of transport linkages and the role of transnational corporations. Furthermore, the endemic balance-of-payments difficulties faced by most developing countries and their reliance on the financial institutions in the developed countries for capital inflows and balance-of-payments support, including conditions of tied aid and other forms of economic pressure are additional underpinning factors in favour of traditional trade relations rather than the non-traditional partners in the other Third World countries.

99. It should moreover be noted that industrialization and related trade policies in the developing countries themselves tend in many respects to discriminate against trade among themselves. Often it is those products which are most susceptible to the expansion of mutual trade among developing countries like light consumer goods and semi-processed and processed agro-based products which get highly protected through tariffs and non-tariff barriers. Consequently depriving the potential markets of many of the advantages associated with economies of scale. On the other hand, heavy and intermediate capital goods in which the developed countries are the major suppliers, usually enjoy low or negligible tariff protection as well as other trade restrictions.

15/ Julius K. Nyerere, «South-South Option», The Third World Lecture, South-South Strategy, Altaf Gauhar, ed., Third World Foundation, London, 1983, p.15.

100. It is therefore evident that if trade among developing countries is ever to develop to its full potential, concerted action will be needed to change or adapt those underlying factors which hinder its growth. In certain instances important initiatives have already been undertaken by certain developing countries to provide the needed institutional and structural framework for necessary changes in order to expand trade among themselves. However, most of the efforts in this direction tended to emphasize creating and strengthening integration schemes at regional and subregional levels. It is nonetheless important to reiterate and recognize that a broader framework is still needed to embrace co-operation at the global or interregional level.

101. One such recent significant step in this direction was taken with the initiation of the GSTP system. Of course, the task of building a system of preferences among the developing countries is a complex and difficult one, given the vast diversity of their economies and differences in the levels of development of participating countries. This is especially true for the African region where most of the countries do not anticipate any substantial gains from the system because they do not yet have a fully developed industrial base. But while the task is difficult and there are no easy solutions in sight, there is no denying the need of establishing new facilities and mechanisms for promoting mutual trade. In fact the envisaged mechanisms ought to build on the experience achieved at the subregional and regional levels. These can therefore be made to move towards a global institutional framework for trade expansion among the developing countries.

102. Understandably, the establishing of such a system will largely follow the path of subregional and regional integration groupings. Similarly, the first stages will only be modest in terms of achievements to be expected and will be confined to a limited number of individual or groups of products as well as participating countries. Negotiations on the GSTP should be viewed in this context, since despite the complexity and difficulty of the task, there are important incentives for moving towards the establishment of the global system of trade preferences among the developing countries. The main arguments are indeed similar to those advanced in respect of other preferential arrangements.

103. Extending interregional preferences beyond those available at the individual country level or even beyond the boundaries of subregional integration groupings, could allow for reaping greater economies of scale, thereby facilitating the creation and expansion of industries in the participating countries beyond what would otherwise be the case for smaller or individual markets. A global preferential arrangement widens the area of assured markets because it includes the Third World as a whole. Consequently, a global preferential scheme, if linked to measures aimed at facilitating the financing of developing countries' mutual trade and exploitation of opportunities offered by joint ventures, opens up vast opportunities for the expansion of trade among developing countries. African countries have vested interest in developing their production potential similar to what other developing countries, especially the newly industrializing among them have already achieved.

104. Joint ventures among the developing countries appear to be one of the most dynamic and promising avenues. They are particularly useful instruments in stimulating and expanding economic interdependence among developing countries and could contribute towards increasing the interregional trade flows. Their particular usefulness is also explained by the possibility they offer in combining capital resources, technical expertise of the capital surplus countries with other resources of partner countries. This is a necessary prerequisite in establishing agricultural and industrial projects aimed at benefitting mutually all the parties involved.

105. A number of opportunities for such projects with participation of African countries on the one hand, and Latin American, the Middle East and/or Asian countries on the other hand, can no longer be doubted in the light of the preceeding chapters. These types of co-operative efforts are most suited for both the capital surplus developing countries suffering from substantial food deficits and those with good agricultrual potential but lacking necessary capital resources to increase their present low productivity. Joint projects in this area could involve arrangements under which the repayment could be envisaged in the form of food supply, a feature which could be attractive both in increasing the element of food security and in facilitating repayments. Joint investment projects in other areas also offer important opportunities for linking up the needs of various developing countries. However, a number of supportive measures are required to encourage the establishment of such joint ventures, at least at primary stages of their existence. These would have to include relaxing on a mutually beneficial and agreed basis, the administrative, fiscal, financial and commercial constraints that stand in the way of efficient operations and facilitating the flow of goods, capital and technology generated by the joint ventures among the interested developing countries.

106. Important changes will also be needed to the trading infrastructures if the present pattern of dominance of developed countries in the trade of developing countries is to be reversed. Particularly where exploitation of the full potential of interregional trade among developing countries is a primary objective. The dominant role of transnational corporations in the marketing and distribution of primary commodity and manufactured exports by developing countries calls for concerted action. Only in this way can drastic changes to the existing situation be made that ensure improving the bargaining position of the host developing countries. Such changes could also increase the benefits they can derive from the ensuing trade. This is why considerable attention must be attached to effective co-operation among the State trading organizations created by developing countries, given the role already assigned to them.